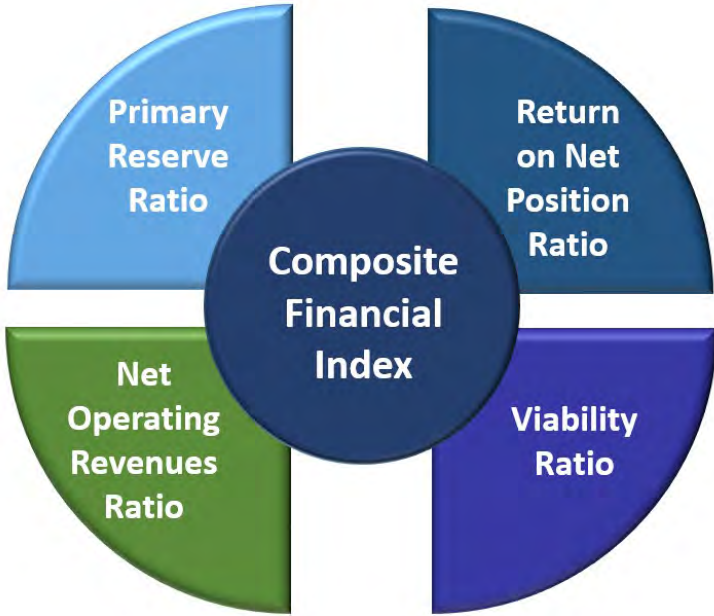




FY2020 Core Financial Ratios and Composite Financial Index



This page intentionally left blank.

Table of Contents

- Introduction 1
- Primary Reserve Ratio..... 2
- Net Operating Revenues Ratio 4
- Return on Net Position Ratio 6
- Viability Ratio 8
- Composite Financial Index 10
- Graphic Financial Profile 13
 - Graphic Financial Profiles FY19 and FY20 13
 - Graphic Financial Profiles FY11 to FY18 14
- UMA Financial Highlights FY11 to FY19 16
 - Prior Adoption of New Accounting Standard – Impact on FY17 Results 16
 - Primary Reserve Ratio 16
 - Net Operating Revenues Ratio..... 17
 - Return on Net Position Ratio 17
 - Viability Ratio 18
- Statements of Revenues, Expenses and Changes in Net Position..... 19

Introduction

The financial health of the University of Maine at Augusta (UMA) can be evaluated using industry benchmarks and ratios. The following ratios and related benchmarks are derived from *Strategic Financial Analysis for Higher Education*, Seventh Edition published by KPMG; Prager, Sealy & Co., LLC; and ATTAIN. This book is widely used in the higher education industry and includes guidance for both private and public institutions. Ratios presented for the University of Maine System (UMS) were obtained from the separately prepared “Core Financial Ratios and Composite Financial Index” report prepared for the UMS.

According to the above publication, there are four fundamental financial questions that need to be addressed and analysis of four core ratios can help us answer these questions:

1. Are resources sufficient and flexible enough to support the mission? – **Primary Reserve Ratio**
2. Do operating results indicate the institution is living within available resources? – **Net Operating Revenues Ratio**
3. Does asset performance and management support the strategic direction? – **Return on Net Position Ratio**
4. Are financial resources, including debt, managed strategically to advance the mission? – **Viability Ratio**

When combined, these four ratios deliver a single measure of UMA’s overall financial health, hereafter referred to as the **Composite Financial Index (CFI)**.

The CFI only measures the financial component of an institution’s well-being. It must be analyzed in context with other associated activities and plans to achieve an assessment of the overall health, not just financial health, of the institution. As an example, if two institutions have identical CFI scores, but one requires substantial investments to meet its mission-critical issues and the other has already made those investments, the first institution is less healthy than the second. In fact, a high CFI is not necessarily indicative of a successful institution, although a low CFI generally is indicative of additional challenges. When put in the context of achievement of mission, a very high CFI with little achievement of mission may indicate a failing institution.

Strategic Financial Analysis for Higher Education

Primary Reserve Ratio

The Primary Reserve Ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable net position (both unrestricted and restricted, excluding net position restricted for capital investments) without relying on additional net position generated by operations. This ratio is calculated as follows:

$$\frac{\text{Expendable Net Position}^*}{\text{Total Expenses}}$$

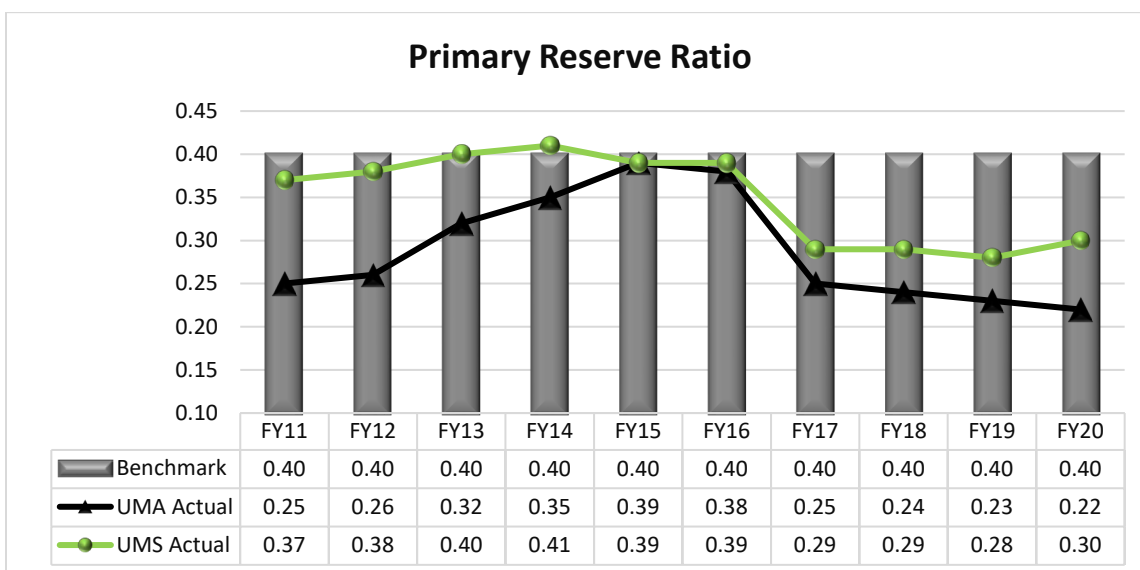
* Excluding net position restricted for capital investments

Key items that can impact expendable net position:

- principal payments on debt
- use of unrestricted net position to fund capital construction projects
- operating results (operating revenues – operating expenses + nonoperating revenues – nonoperating expenses + depreciation)
- endowment returns

A ratio of .40x (provides about 5 months of expenses) or better is advisable to give institutions the flexibility to manage the enterprise.

In FY20, UMA’s Primary Reserve Ratio decreased slightly to 0.22x, which provides just under 3 months of expense coverage. UMA’s ratio has been steadily trending down since the significant decrease experienced from FY16 to FY17 when the new accounting standard related to post employment health was implemented. See page 16 for more information on this accounting standard.



Primary Reserve Ratio Components										
\$ in thousands										
	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>
<i>Unrestricted expendable net position</i>	\$9,957	\$10,952	\$12,751	\$12,938	\$14,389	\$14,995	\$8,018	\$7,395	\$7,037	\$6,866
<i>Restricted expendable net position</i>	\$2,288	\$2,113	\$3,022	\$3,926	\$3,859	\$3,407	\$3,986	\$4,065	\$4,302	\$3,990
Total expendable net position	\$12,245	\$13,065	\$15,773	\$16,864	\$18,248	\$18,402	\$12,004	\$11,460	\$11,339	\$10,856
Total expenses	\$48,159	\$49,849	\$49,714	\$48,397	\$46,909	\$48,211	\$47,507	\$48,361	\$49,705	\$50,109

Note: The above totals have not been adjusted for rounding.

In FY20, UMA's expendable net position decreased slightly from the prior year as did expenses; resulting in a small reduction in its Primary Reserve Ratio. As can be seen in the above table, the decrease in expendable net position was the net result of decreases in both the restricted and unrestricted portions.

The FY20 net decreases in unrestricted and restricted expendable net position include the use of such net position to fund capital construction in the amounts of \$1,053 and \$371, respectively. This use of net position was partially offset by positive operating results (operating revenues – operating expenses + nonoperating revenues – nonoperating expenses + depreciation expense) experienced in FY20. Depreciation expense is a component of net position invested in capital assets; thus, it is added back to operating results to determine the impact of operations on the Primary Reserve Ratio.

Net Operating Revenues Ratio

The Net Operating Revenues Ratio is a measure of operating results and answers the question, “Do operating results indicate that the University is living within available resources?” Operating results either increase or decrease net position and, thereby, impact the other three core ratios: Primary Reserve, Return on Net Position, and Viability. This ratio is calculated as follows:

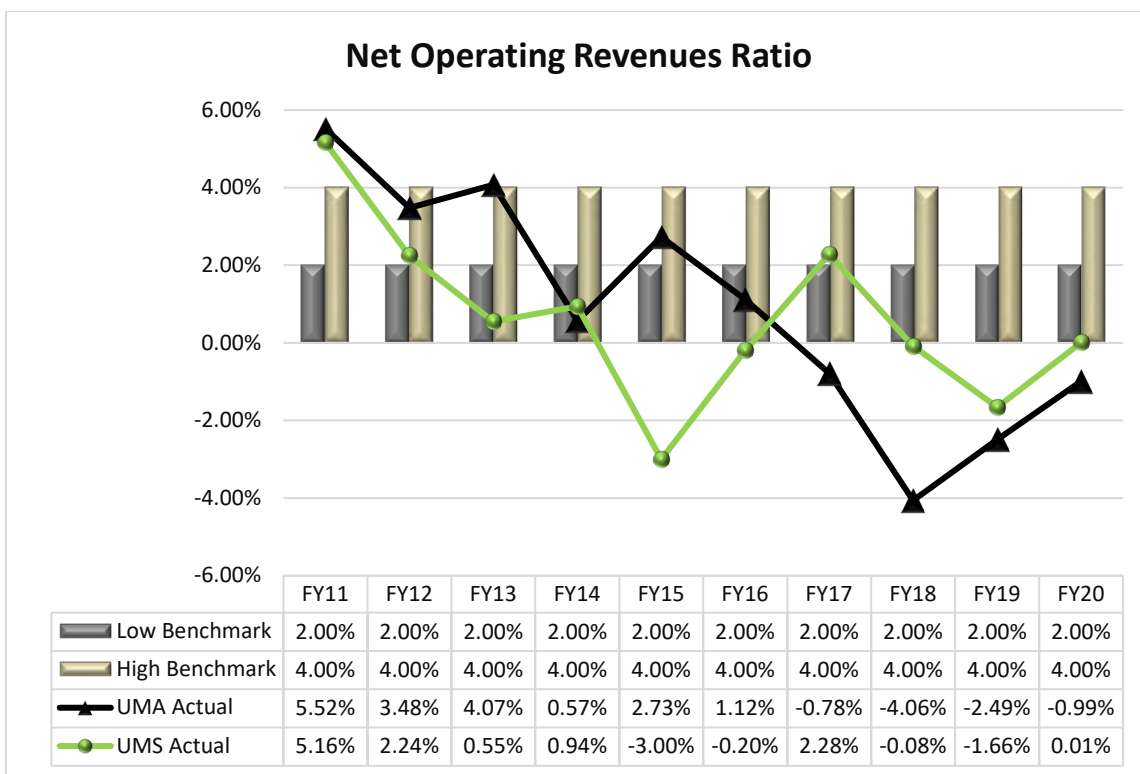
$$\frac{\text{Operating Income (Loss) plus Net Non-Operating Revenues (Expenses)}}{\text{Operating Revenues plus Non-Operating Revenues}}$$

A target of at least 2% to 4% is a goal over an extended time period, although fluctuations from year to year are likely. A key consideration for institutions establishing a benchmark for this ratio would be the anticipated growth in total expenses.

The primary reason institutions need to generate some level of surplus over long periods of time is because operations are one of the sources of liquidity and resources for reinvestment in institutional initiatives.

Strategic Financial Analysis for Higher Education

In FY20, UMA experienced a Net Operating Revenues Ratio of -0.99%, further improving from the ten-year low experienced in FY18.



Net Operating Revenues Ratio Components										
\$ in thousands										
	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Operating revenues	\$36,234	\$37,239	\$36,470	\$33,207	\$31,839	\$31,178	\$27,853	\$26,645	\$27,786	\$27,022
Operating expenses	\$(48,063)	\$(49,778)	\$(49,679)	\$(48,367)	\$(46,883)	\$(48,188)	\$(47,484)	\$(48,325)	\$(49,672)	\$(50,080)
Operating loss	\$(11,829)	\$(12,538)	\$(13,209)	\$(15,160)	\$(15,044)	\$(17,011)	\$(19,631)	\$(21,680)	\$(21,886)	\$(23,058)
Net nonoperating revenues	\$14,641	\$14,333	\$15,319	\$15,435	\$16,359	\$17,555	\$19,261	\$19,792	\$20,678	\$22,567
Operating income (loss) plus net nonoperating revenues (expenses)	\$2,812	\$ 1,795	\$ 2,110	\$ 275	\$ 1,315	\$ 544	\$(370)	\$(1,888)	\$(1,208)	\$(491)
Operating revenues plus nonoperating revenues	\$50,971	\$51,643	\$51,824	\$48,672	\$48,224	\$48,756	\$47,137	\$46,473	\$48,497	\$49,618

Note: The above totals have not been adjusted for rounding.

UMA's Net Operating Revenues Ratio increased slightly from FY19 to FY20 as a \$1.1 million increase in total operating revenues plus nonoperating revenues outpaced the \$408 thousand increase in operating expenses.

On a positive note, UMA had residential students for the first time in FY20 for residence and dining revenues of \$225 thousand. A global pandemic was faced; however, during the last quarter of FY20 and UMA and the other campuses within the UMS sent students home in mid-March and moved classes to online delivery for the remainder of the semester. Campuses remained closed through the end of the fiscal year, resulting in the cancellation of services and programs that are key in supporting the universities' operating budgets.

An \$887 thousand increase in UMA's noncapital State of Maine appropriation revenue and federal CARES Act funding of \$719 thousand received to address the pandemic, helped UMA experience a negative, but much improved Net Operating Revenues Ratio in FY20.

Return on Net Position Ratio

The Return on Net Position Ratio measures asset performance and management. It determines whether an institution is financially better off than in the previous year by measuring total economic return. It is based on the level and change in total net position. An improving trend in this ratio indicates that the institution is increasing its net position and is likely to be able to set aside financial resources to strengthen its future financial flexibility. This ratio is calculated as follows:

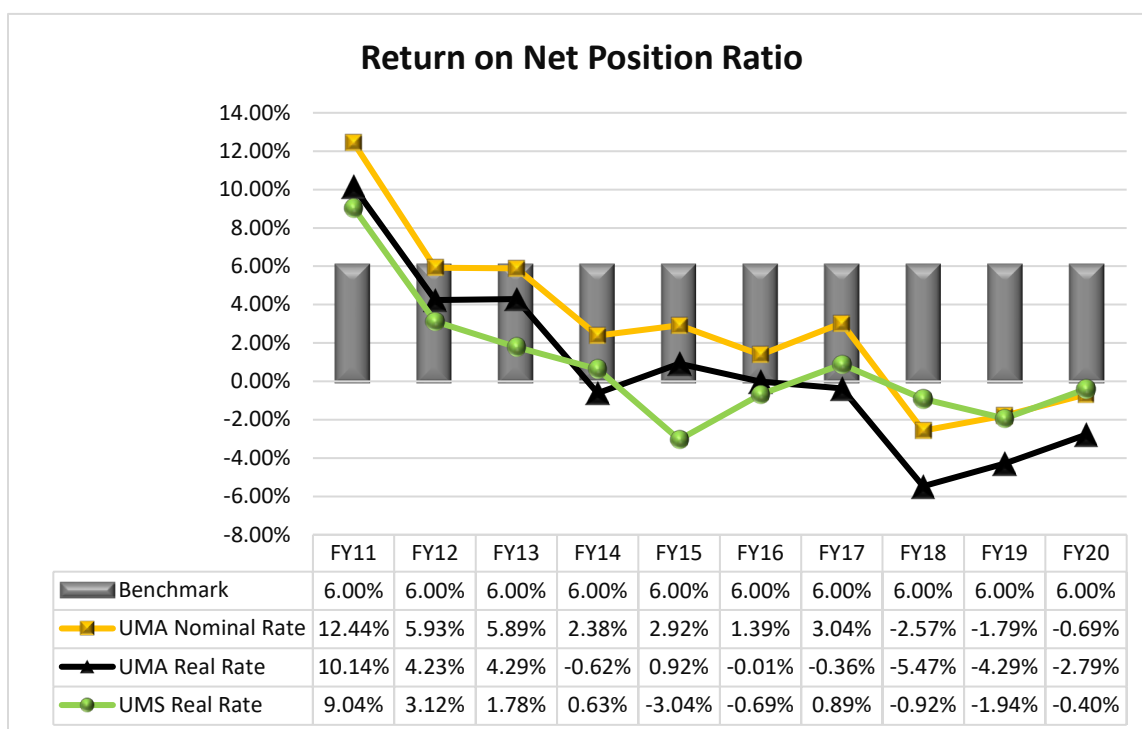
$$\frac{\text{Change in Net Position}}{\text{Total Beginning of the Year Net Position}}$$

Key items that can impact expendable net position:

- items that impact the Net Operating Revenues Ratio
- endowment returns
- capital appropriations, grants, gifts, and transfers
- endowment gifts

The nominal rate of return on net position is the actual return unadjusted for inflation or other factors. The real rate of return adjusts the nominal rate for the effects of inflation using the Higher Education Price Index (HEPI). Publishers of the HEPI sometimes revise data for prior years as new information becomes available. The real rates presented below reflect the HEPI inflation factors published for August 31, 2020 and may differ from rates presented in previous years' reports.

UMA has experienced five consecutive years of negative real rate of return; however, the FY20 rate of -2.79% marks continued progress following the ten-year low of -5.47% in FY18.



Return on Net Position Ratio Components										
\$ in thousands										
	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>
<i>Operating income (loss) plus net non-operating revenues (expenses)</i>	\$2,812	\$1,795	\$2,110	\$275	\$1,315	\$544	\$(370)	\$(1,888)	\$(1,208)	\$(491)
<i>Other changes in net position</i>	\$2,017	\$791	\$615	\$888	\$149	\$175	\$1,772	\$666	\$380	\$176
Change in total net position	\$4,829	\$2,586	\$2,725	\$1,163	\$1,464	\$719	\$1,402	\$(1,222)	\$(828)	\$(314)
Total net position (beginning of year)	\$38,816	\$43,645	\$46,231	\$48,930	\$50,093	\$51,557	\$46,183	\$47,585	\$46,363	\$45,536

Note: The above totals have not been adjusted for rounding.

The above line for other changes in net position is comprised of revenues to fund capital investments such as capital projects and endowments and is subject to fluctuations based upon the availability of funds as can be seen from the following notable changes from the prior year:

- State of Maine capital appropriations increased \$298 thousand
- Capital grants and gifts decreased \$296 thousand
- Endowment return, net of amount used for operations decreased \$143 thousand
- Endowment gifts decreased \$61 thousand

Viability Ratio

The Viability Ratio measures expendable resources that are available to cover debt obligations (e.g., capital leases, notes payable, and bonds payable) and generally is regarded as governing an institution’s ability to assume new debt. This ratio is calculated as follows:

$$\frac{\text{Expendable Net Position}^*}{\text{Long-Term Debt}}$$

* Excluding net position restricted for capital investments

Key items that can impact expendable net position:

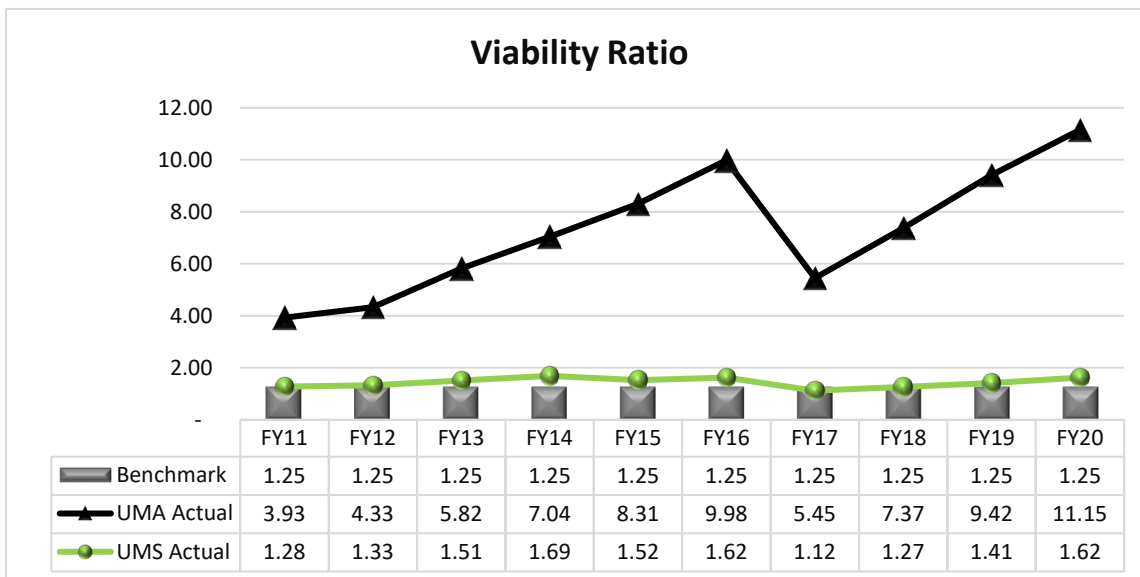
- principal payments on debt
- use of unrestricted net position to fund capital construction projects
- operating results (operating revenues – operating expenses + nonoperating revenues – nonoperating expenses + depreciation)
- endowment returns

A ratio of 1.25 or greater indicates that there are sufficient resources to satisfy debt obligations.

There is no absolute threshold that will indicate whether the institution is no longer financially viable. However, the Viability Ratio, along with the Primary Reserve Ratio discussed earlier, can help define an institution’s “margin for error”. As the Viability Ratio’s value falls below 1:1, an institution’s ability to respond . . . , to adverse conditions from internal resources diminishes, as does its ability to attract capital from external sources and its flexibility to fund new objectives.

Strategic Financial Analysis for Higher Education

At 11.15x, UMA’s FY20 Viability Ratio continues to far surpass the UMS ratio and the industry benchmark of 1.25x.



Viability Ratio Components										
\$ in thousands										
	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>
<i>Unrestricted expendable net position</i>	\$9,957	\$10,952	\$12,751	\$12,938	\$14,389	\$14,995	\$8,018	\$7,395	\$7,037	\$6,866
<i>Restricted expendable net position</i>	\$2,288	\$2,113	\$3,022	\$3,926	\$3,859	\$3,407	\$3,986	\$4,065	\$4,302	\$3,990
Total expendable net position	\$12,245	\$13,065	\$15,773	\$16,864	\$18,248	\$18,402	\$12,004	\$11,460	\$11,339	\$10,856
Long-term debt	\$3,114	\$3,016	\$2,711	\$2,394	\$2,195	\$1,844	\$2,202	\$1,555	\$1,204	\$974

Note: The above totals have not been adjusted for rounding.

In FY20, UMA's debt is at its lowest level in the ten years presented above. See the earlier discussion of the Primary Reserve Ratio for items that impacted expendable net position in FY20.

Composite Financial Index

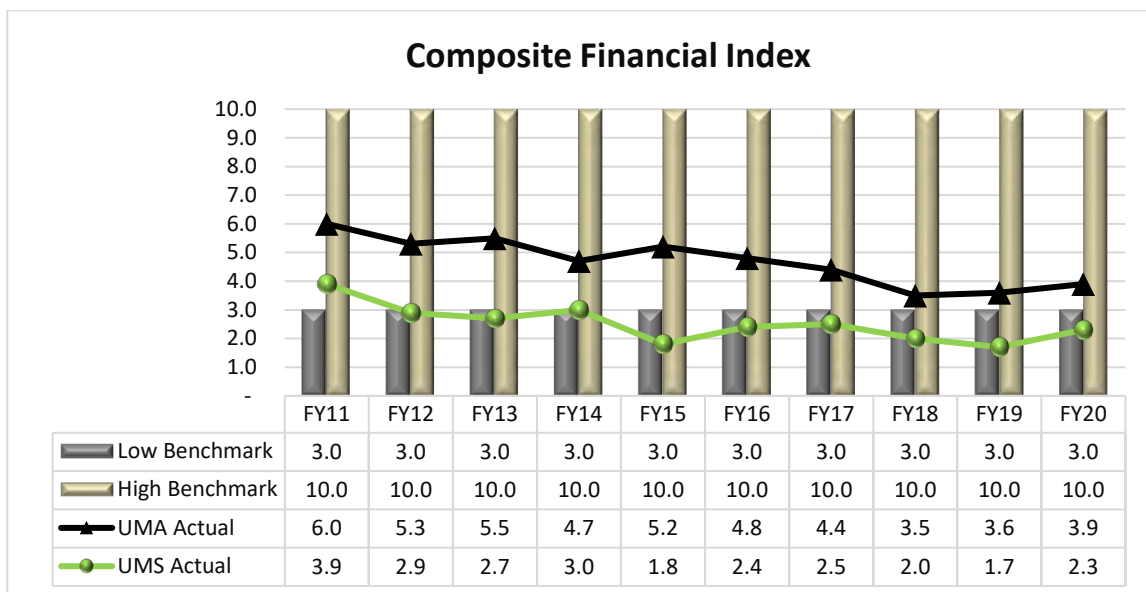
The Composite Financial Index (CFI) creates one overall financial measurement of the institution’s health based on the four core ratios: Primary Reserve Ratio, Net Operating Revenues Ratio, Return on Net Position Ratio, and Viability Ratio. By blending these four key measures of financial health into a single number, a more balanced view of the state of the institution’s finances is possible because a weakness in one measure may be offset by the strength of another measure.

The CFI is calculated by completing the following steps:

1. Compute the values of the four core ratios;
2. Convert the ratio values to strength factors along a common scale;
3. Multiply the strength factors by specific weighting factors; and
4. Total the resulting four numbers (ratio scores) to reach the single CFI score.

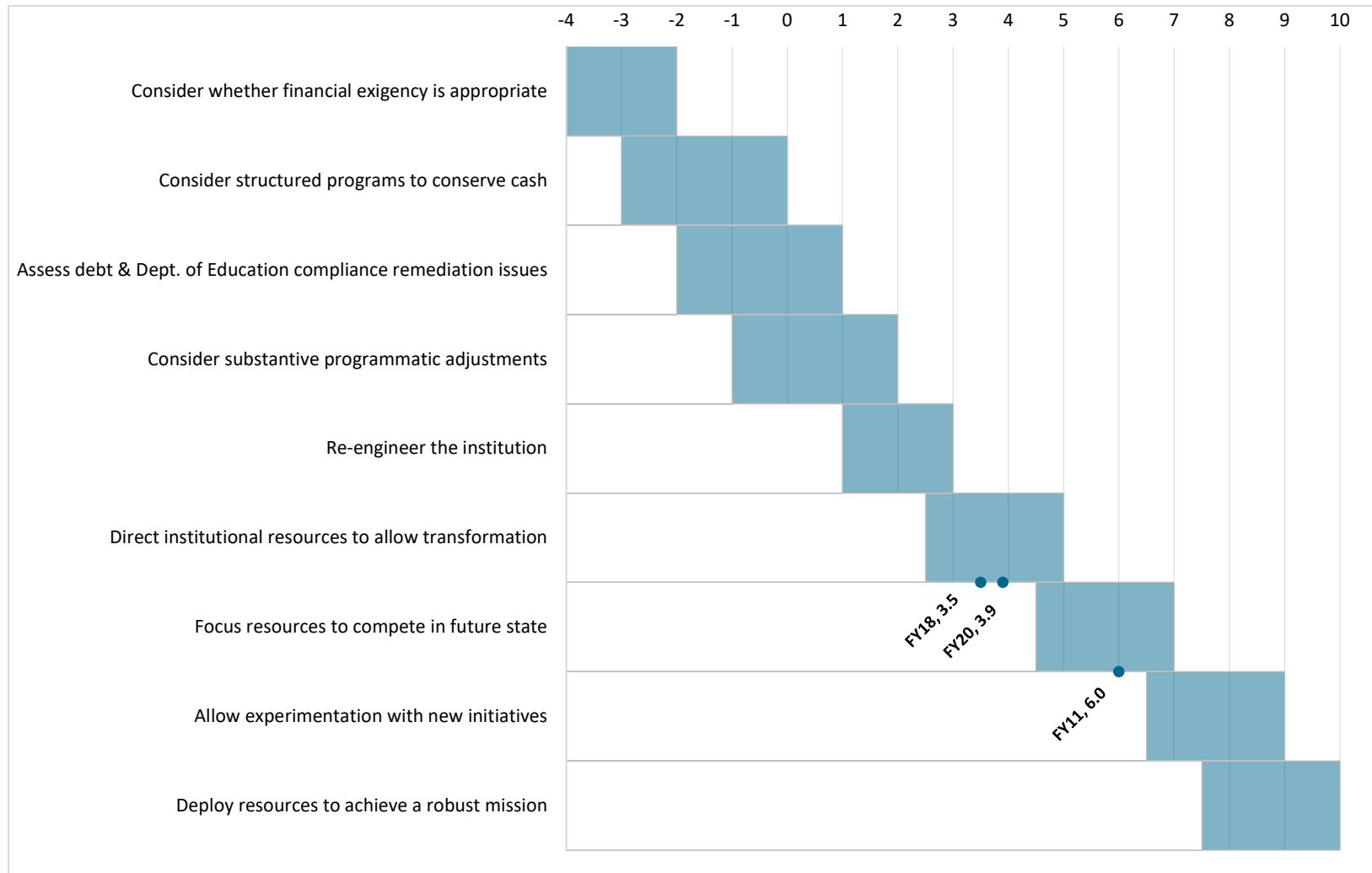
A score of 1.0 indicates very little financial health; 3, the low benchmark, represents a relatively stronger financial position; and 10 is the top of the scale.

For each of the ten years reported below, UMA’s CFI has surpassed the low industry benchmark of 3.0 and has consistently been above the UMS score.



Performance of the CFI score can be evaluated on a scale of -4 to 10 as shown on the following page. These scores do not have absolute precision. They are indicators of ranges of financial health that can be indicators of overall institutional well-being, when combined with nonfinancial indicators. This would be consistent with the fact that there are a large number of variables that can impact an institution and influence the results of these ratios. However, the ranges do have enough precision to be indicators of the institutional financial health, and the CFI as well as its trend line, over a period of time, can be the single most important measure of the financial health for the institution.

The overlapping blocks of color represent the ranges of measurement that an institution may find useful in assessing itself. We have overlaid the scale with UMA's highest (FY11), lowest (FY18) and most recent CFI scores to assist in evaluating UMA's performance.



CFI Calculation										
Fiscal Year	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
+ Primary Reserve Ratio	0.25	0.26	0.32	0.35	0.39	0.38	0.25	0.24	0.23	0.22
/ Common Scale Value *	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133	0.133
= Strength Factor **	1.88	1.95	2.41	2.63	2.93	2.86	1.88	1.80	1.73	1.65
X Weighting Factor ***	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Ratio Score	0.66	0.68	0.84	0.92	1.03	1.00	0.66	0.63	0.61	0.58
+ Net Operating Revenues Ratio	5.52%	3.48%	4.07%	0.57%	2.73%	1.12%	-0.78%	-4.06%	-2.49%	-0.99%
/ Common Scale Value *	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
= Strength Factor **	7.89	4.97	5.81	0.81	3.90	1.60	-1.11	-4.00	-3.56	-1.41
X Weighting Factor ***	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Ratio Score	0.79	0.50	0.58	0.08	0.39	0.16	-0.11	-0.40	-0.36	-0.14
+ Return on Net Position Ratio	12.44%	5.93%	5.89%	2.38%	2.92%	1.39%	3.04%	-2.57%	-1.79%	-0.69%
/ Common Scale Value *	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
= Strength Factor **	6.22	2.97	2.95	1.19	1.46	0.70	1.52	-1.29	-0.90	-0.35
X Weighting Factor ***	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Ratio Score	1.24	0.59	0.59	0.24	0.29	0.14	0.30	-0.26	-0.18	-0.07
+ Viability Ratio	3.93	4.33	5.82	7.04	8.31	9.98	5.45	7.37	9.42	11.15
/ Common Scale Value *	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417	0.417
= Strength Factor **	9.42	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
X Weighting Factor ***	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Ratio Score	3.30	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Composite Financial Index	6.0	5.3	5.5	4.7	5.2	4.8	4.4	3.5	3.6	3.9

* = The common scale value is derived from the scoring scale defined by the authors of *Strategic Financial Analysis for Higher Education*, Seventh Edition for public institutions with an endowment spending rate.

** = The strength factor is the result of dividing the ratio value by the common scale value to determine a comparable value (strength) for each ratio that can be analyzed on a common scale of -4 to 10.

*** = The weighting factor is derived from the weighting schema defined by the authors of *Strategic Financial Analysis for Higher Education*, Seventh Edition for institutions with long-term debt.

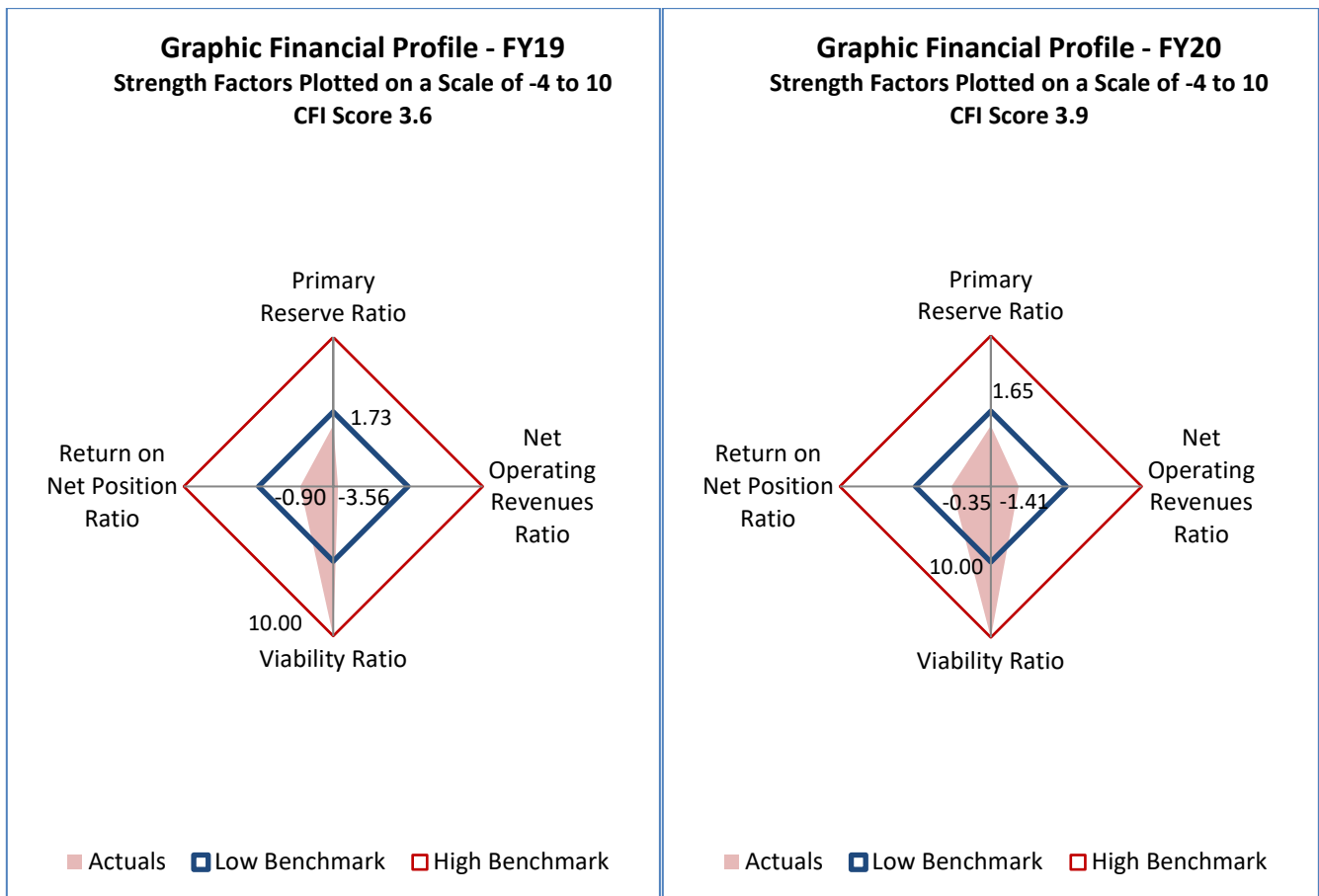
Graphic Financial Profile

The strength factors used in calculating the CFI can be mapped on a diamond graph to show the shape of an institution’s financial health compared to the industry benchmarks. This Graphic Financial Profile can assist management in determining whether a weakness in one ratio is offset by strength in another ratio.

- The center point of the graphic financial profile is -4, the lowest possible score on the scale.
- The smaller, heavily lined diamond in the graph represents the low industry benchmark of 3.
- The outer, lightly lined diamond represents the high industry benchmark of 10 and the highest possible score on the scale for each ratio.
- We have plotted and shaded the actual values of UMA’s ratio strength factors to show how UMA’s health compares with the low (3) and high (10) industry benchmarks.

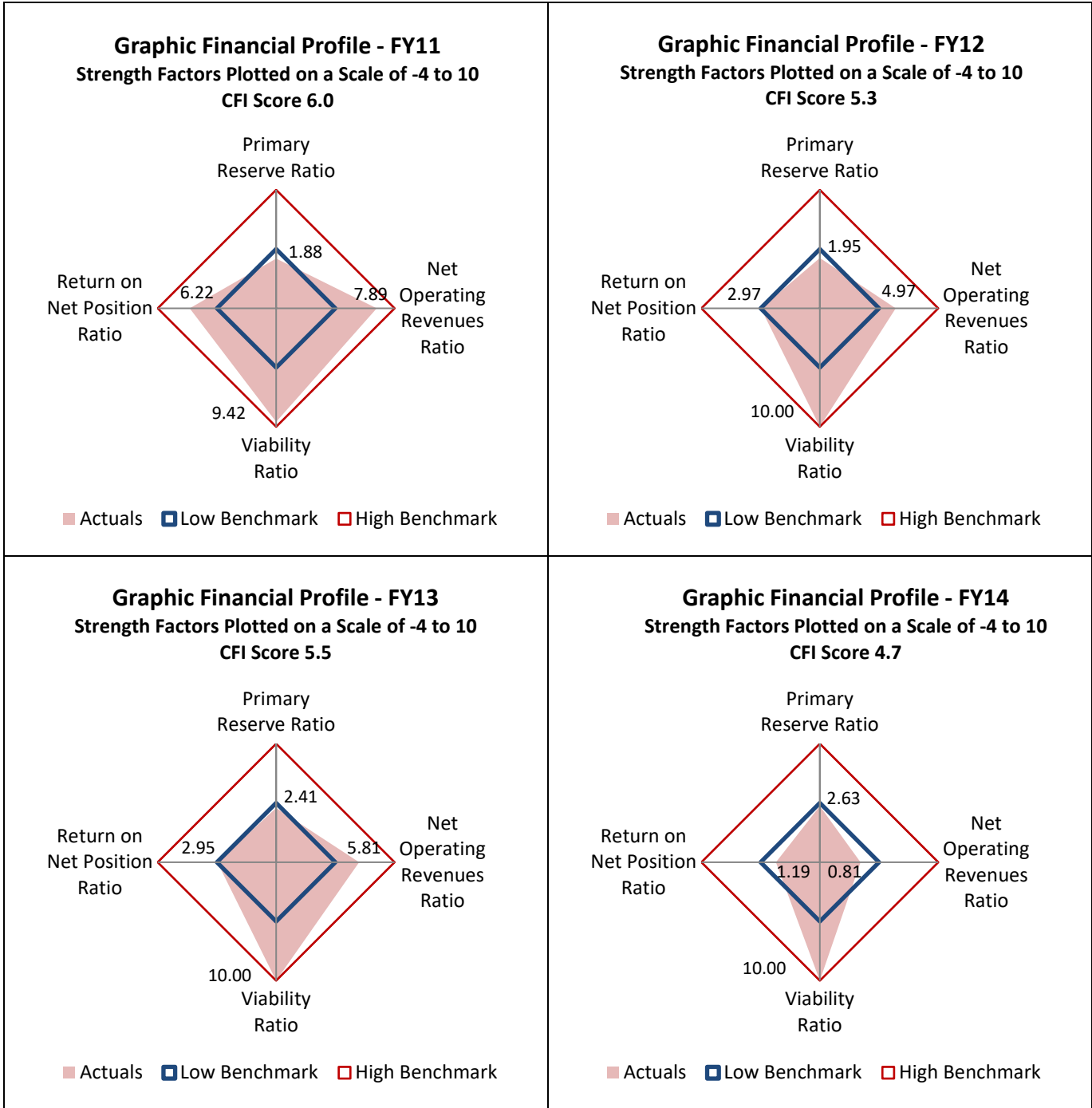
Graphic Financial Profiles FY19 and FY20

The shape of UMA’s FY20 graphic financial profile is slightly wider than that for FY19 as UMA experienced improvements in both the net operating ratio and return on net position ratio.



Graphic Financial Profiles FY11 to FY18

Changes in the shape of UMA’s graphic financial profile for FY11 thru FY18 can be seen below and on the next page.





UMA Financial Highlights FY11 to FY19

We have provided the following financial highlights as a resource in understanding prior years' changes in the core ratios.

Prior Adoption of New Accounting Standard – Impact on FY17 Results

As required by generally accepted accounting principles, in FY18 the UMS adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB No. 75) related to its postemployment health plan. Pursuant to the provisions of GASB No. 75, the UMS and each of its campuses restated their FY17 financial statements to reflect the retroactive application of the accounting change. There was no impact on UMA's originally reported FY17 revenues and expenses; however, the restatement did include a \$6.1 million decrease in UMA's originally reported FY17 beginning of year expendable net position; thus, significantly impacting UMA's Primary Reserve and Viability ratios. The FY17 ratios included in this report are based upon data from the restated FY17 financial statements.

Primary Reserve Ratio

FY11: Expendable net position increased in FY11, as operating revenues and endowment returns outpaced the increase in expenses – see discussion of the net operating revenues ratio. UMA utilized \$1.7 million of unrestricted expendable net position for capital construction.

FY12: UMA increased its expendable net position by generating a positive return on operations that more than offset the negative return on endowment investments and use of \$1.8 million of unrestricted expendable net position to fund construction activity.

FY13: UMA's Primary Reserve Ratio increased again as positive operating and endowment returns more than offset the use of \$920 thousand of expendable net position to fund construction activity.

FY14: As shown on page 4, UMA's FY14 return from operations decreased significantly from the prior fiscal year. The return, however, was positive and combined with good endowment returns, allowed UMA to invest \$1 million of unrestricted net position in capital construction and still increase its total expendable net position.

FY15: UMA's ratio increased slightly in FY15, as UMA experienced both an increase in expendable net position and a decrease in total expenses compared to the prior fiscal year. The growth in expendable net position was primarily in the unrestricted portion as negative endowment returns contributed to a decrease in the restricted portion. The \$1.5 million increase in unrestricted expendable net position was net of \$408 thousand utilized for capital construction.

FY16: An increase in expenses outpaced an increase in expendable net position, causing UMA's ratio to decrease slightly from FY15. The increase in expendable net position was net of negative endowment returns and use of \$1 million in unrestricted expendable net position for capital construction.

FY17: \$2.6 million of unrestricted net position was used for capital construction. Pursuant to the implementation of GASB No. 75, FY17 beginning of year unrestricted expendable net position was reduced by \$6.1 million resulting in the FY17 Primary Reserve Ratio falling to 0.25x from the originally stated 0.38x. Restricted expendable net position increased primarily due to positive endowment returns.

FY18: UMA's expendable net position decreased from the prior year and expenses increased slightly resulting in a small reduction in its Primary Reserve Ratio. The decrease in expendable net position was related to the unrestricted portion and was the result of a loss from operations and the use of \$333 thousand of unrestricted net position for capital construction including renovations at the Katz Library and the Fitness Center. Restricted expendable net position increased primarily due to positive endowment returns for FY18.

FY19: UMA's expendable net position decreased slightly from the prior year and expenses increased slightly resulting in a small reduction in its Primary Reserve Ratio. The decrease in unrestricted expendable net position can be attributed to a \$233 thousand dollar reduction in net position associated with internally designated projects as UMA expended funds that had previously been designated for projects such as the cybersecurity lab and online teaching certifications. Restricted expendable net position increased primarily due to several large gifts received during FY19, including \$150 thousand for the UMA science program and \$73 thousand for the UMA Seniors College.

Net Operating Revenues Ratio

FY11: UMA increased operating revenues 5.9% from the prior year and contained the growth in operating expenses to 2.5%.

FY12: Expenses increased \$1.6 million from FY11, but gross revenues only increased \$555 thousand. Net student fees revenue increased \$1.2 million (9.8%); however, noncapital State of Maine appropriation revenue and noncapital grants and contracts revenue decreased and State fiscal stabilization dollars expired in FY11.

FY13: Expenses decreased from FY12; however, the increase in the Net Operating Revenues Ratio is primarily the result of a \$643 thousand increase in noncapital State of Maine appropriation revenue and a \$300 thousand transfer from the System Office to mitigate the FY13 freeze on in-state tuition rates.

FY14: UMA’s ratio fell below the low industry benchmark for the first time since FY08. A \$2.1 million (8%) decrease in gross tuition and fees revenue was the primary contributor to the decrease in UMA’s operating return from FY13. To mitigate this revenue decrease, UMA decreased total financial aid costs (scholarship allowance plus student aid expense) and other operating expenses.

FY15: Expenses decreased \$1.5 million from the prior year, enabling UMA’s ratio to once again surpass the low industry benchmark despite a \$400 thousand decrease in total operating and nonoperating revenues. Nonoperating revenues increased almost \$1 million while operating revenues decreased \$1.4 million.

FY16: UMA’s ratio fell below the low industry benchmark as operating revenues declined for a fourth consecutive year. An increase in nonoperating revenues more than offset the decline in operating revenues, but was not enough to also keep pace with a \$1.3 million increase in expenses.

FY17: UMA’s expenses decreased \$704 thousand from FY16 to FY17, but this decrease was outpaced by a \$1.6 million decrease in operating revenues plus non-operating revenues. Notable items in this revenues decrease are a \$1.5 million decrease in net student fees, a \$1.9 million decrease in grants and contracts revenue, and a \$1.4 million increase in noncapital State of Maine appropriations revenue.

FY15/16/17: Although the exact impact on this ratio is not readily determinable, it should be noted that during this three-year time span, the UMS underwent a reorganization to centralize under the University Services portion of UMSGUS, many services (e.g., Procurement, Human Resources, Information Technology, Facilities, and Finance) that had previously existed at each of the campuses and UMSGUS. The costs of University Services were then allocated back out to UMA and the other campuses within the UMS along with an additional allocation of noncapital State of Maine appropriation revenues to help cover the costs of the centralized services. This reorganization occurred in a staggered approach with all

University Services costs being allocated to the campuses by FY17.

FY18: UMA’s operating expenses increased \$841 thousand or 1.8% from FY17 to FY18, while operating revenues plus non-operating revenues decreased by \$664 thousand or 1.4%. A \$494 thousand increase in the Student Services functional expense category accounts for 59% of the increase in operating expenses. Other notable items were a combined increase of \$375 thousand in the Operation and Maintenance of Plant and Depreciation functional expense categories. The Academic Support and Student Aid expense categories also increased while Institutional Support and Auxiliary expenses decreased. Notable items in the net decrease in revenues are a \$707 thousand decrease in net student fees, a \$311 thousand decrease in grants and contracts revenue, and a \$421 thousand increase in noncapital State of Maine appropriations revenue.

FY19: UMA’s Operating revenues plus nonoperating revenues increased \$2 million or 2% from the prior year, outpacing a \$1.3 million or 2.8% increase in operating expenses. Notable items accounting for the increase in revenues were a \$1 million increase in net student fees, a \$431 thousand increase in noncapital State of Maine appropriation revenue, and a \$391 thousand increase in noncapital transfers revenue.

Return on Net Position Ratio

The return on net position ratio has been impacted over the years by the same items that impacted the Net Operating Revenues Ratio and the following items that directly impact capital and endowment assets:

- The impact of undistributed endowment returns on UMA’s Return on Net Position has fluctuated significantly over the years with changes in the level of endowment returns.

Endowment Return Net of Amount Used for Operations \$ in thousands

FY11	\$776	FY16	(\$486)
FY12	(\$246)	FY17	\$440
FY13	\$580	FY18	\$198
FY14	\$780	FY19	(\$136)
FY15	(\$354)	FY20	(\$279)

- Capital appropriation revenue from the State of Maine fluctuates with the availability of voter approved bond proceeds and the timing of UMA’s expenditure of those proceeds. UMA did not have any of these revenues in FY12, FY13, and FY14.
- UMA received capital grants and gifts each of the past ten years. The level of such revenues fluctuated depending on the construction and fundraising activities that were occurring. The more notable years for such revenue were FY11 when \$760 thousand was received and FY19 when \$311 thousand was received.

- Endowment gifts have been a constant, but usually not significant, source of revenue for UMA. Exceptions include \$1 million for FY12, \$359 thousand for FY15, and \$224 thousand for FY16.

Viability Ratio

The same totals for expendable net position are used for this ratio and the Primary Reserve Ratio; therefore, please see discussion of the Primary Reserve Ratio for items impacting expendable net position.

The issuance and repayment of debt also impact this ratio. Over the years, UMA has borrowed money infrequently: \$1 million in FY11 for construction of the College Center/Dental Health Clinic and \$715 thousand in FY17 to finance classroom technology upgrades. The State of Maine is providing appropriation dollars restricted to pay the debt service on the 2017 bonds.

University of Maine at Augusta

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2011 to 2020

(\$ in thousands)

	2011	2012	2013	2014	2015	2016	RESTATED 2017	2018	2019	2020
OPERATING REVENUES										
Tuition and fees	\$24,219	\$ 25,860	\$ 26,154	\$24,062	\$23,418	\$23,127	\$ 20,951	\$ 20,397	\$ 21,480	22,256
Residence and dining fees	-	1	-	(3)	-	-	6	7	6	225
Less: scholarship allowances	(8,373)	(8,669)	(8,659)	(7,415)	(7,273)	(7,620)	(6,918)	(7,073)	(7,139)	(8,158)
Net student fees	15,846	17,191	17,495	16,644	16,145	15,507	14,038	13,331	14,347	14,322
Federal, state, and private grants and contracts	17,513	17,099	16,471	14,312	13,685	13,727	11,875	11,564	11,720	11,258
Recovery of indirect costs	264	303	278	152	160	172	159	157	150	121
Educational sales and service	613	729	434	487	432	499	590	524	477	365
Other auxiliary enterprises	1,968	1,888	1,763	1,584	1,389	1,248	1,161	1,040	1,065	934
Interest income on loans	30	30	30	27	27	25	29	29	28	22
Total Operating Revenues	36,234	37,239	36,470	33,207	31,839	31,178	27,853	26,645	27,786	27,022
OPERATING EXPENSES										
Instruction	14,425	14,782	14,949	15,150	14,626	14,557	14,448	14,419	14,704	15,411
Research	25	51	77	44	91	116	137	82	110	103
Public service	3,332	2,916	2,738	2,291	2,429	2,421	2,444	2,420	2,342	2,380
Academic support	6,768	6,963	6,746	6,630	6,271	6,623	6,493	6,642	6,995	7,193
Student services	4,445	4,797	4,800	4,744	4,651	4,734	4,772	5,266	5,870	5,827
Institutional support	4,222	4,803	5,144	4,617	4,715	4,991	5,825	5,708	5,270	5,877
Operation and maintenance of plant	3,617	3,924	3,747	3,863	3,451	3,769	3,700	3,886	4,322	3,913
Depreciation and amortization	1,178	1,301	1,357	1,369	1,430	1,496	1,573	1,762	1,793	1,804
Student aid	8,044	8,329	8,320	7,984	7,879	8,255	6,917	7,072	7,138	5,793
Auxiliary	2,006	1,913	1,803	1,674	1,341	1,227	1,175	1,068	1,129	1,779
Total Operating Expenses	48,063	49,778	49,679	48,367	46,883	48,188	47,484	48,325	49,672	50,080
Operating Income (Loss)	(11,829)	(12,538)	(13,209)	(15,160)	(15,044)	(17,011)	(19,631)	(21,680)	(21,886)	(23,058)
NONOPERATING REVENUES (EXPENSES)										
Noncapital State of Maine appropriations	13,906	13,768	14,411	15,202	15,563	16,730	18,100	18,521	18,952	19,789
CARES Act funding	-	-	-	-	-	-	-	-	-	719
State Fiscal Stabilization Program	506	-	-	-	-	-	-	-	-	-
Gifts currently expendable	211	112	189	124	241	295	269	307	335	280
Endowment income distributed for operations	118	121	124	250	282	343	338	332	352	375
Investment income	2	2	1	-	1	3	6	14	26	23
Interest expense	(96)	(71)	(35)	(30)	(26)	(23)	(23)	(36)	(33)	(29)
Other nonoperating expenses	-	-	-	-	-	-	-	-	-	0
Noncapital transfers	(8)	400	628	(112)	298	206	571	655	1,046	1,410
Net Nonoperating Revenue (Expense)	14,641	14,333	15,319	15,435	16,359	17,555	19,261	19,792	20,678	22,567
Income Before Other Changes in Net Position	2,812	1,795	2,110	275	1,315	544	(370)	(1,888)	(1,208)	(491)
OTHER CHANGES IN NET POSITION										
State of Maine capital appropriations	475	-	-	-	117	668	158	392	88	386
Capital grants and gifts	760	18	36	13	114	11	17	47	311	15
Endowment return, net of amount used for operations	776	(246)	580	780	(354)	(486)	440	198	(136)	(279)
Endowment gifts	19	1,013	15	35	359	224	10	38	111	50
Gain on disposal of capital assets and other changes	-	(8)	-	-	(74)	(229)	-	(12)	-	-
Capital transfers	(12)	15	(16)	61	(12)	(12)	1,148	3	6	4
Total Other Changes in Net Position	2,017	792	615	888	149	175	1,773	666	380	176
Increase (Decrease) in Net Position	4,829	2,586	2,725	1,163	1,464	719	1,402	(1,222)	(828)	(314)
NET POSITION										
Net Position – beginning of year	38,816	43,645	46,231	48,930	50,093	51,557	46,183	47,585	46,363	45,536
Net Position – end of year	\$43,645	\$ 46,231	\$ 48,956	\$50,093	\$51,557	\$52,276	\$ 47,585	\$ 46,363	\$ 45,536	\$ 45,221

The above totals have not been adjusted for rounding.